

## Message Text

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ACTION AF-06

INFO OCT-01 EUR-12 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 AGR-05 L-02 TAR-01 /088 W

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R 040913Z APR 75

FM AMEMBASSY ADDIS ABABA

TO SECSTATE WASHDC 3960

INFO AMEMBASSY PARIS

AMEMBASSY LONDON

AMEMBASSY NAIROBI

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E.O.11652: N/A

TAGS: EPAP EFIN ETRD ET US

SUBJ: ETHIOPIAN COFFEE EXPORTS LAGGING

REF: ADDIS ABABA A-39 OF FEB 27, 1975

1. ETHIOPIAN COFFEE TRADERS ARE BECOMING INCREASINGLY CONCERNED ABOUT THE LOW LEVEL OF COFFEE EXPORTS THUS FAR THIS COFFEE YEAR (OCTOBER 1974-AUGUST 1975). USUALLY BY THIS TIME ETHIOPIA WOULD HAVE EXPORTED AROUND 40-45,000 TONS OF COFFEE, WHEREAS THIS YEAR ONLY 20-25,000 TONS HAVE LEFT THE COUNTRY. EXPORTERS TO THE U.S. MARKET ARE PARTICULARLY WORRIED AS ONLY 12,000 TONS HAVE BEEN EXPORTED TO THE U.S., COMPARED WITH 20-25,000 TONS BY THE END OF MARCH DURING PREVIOUS YEARS.

2. TWO REASONS ARE CURRENTLY GIVEN FOR THIS SITUATION:

(A) OWING TO DEPRESSED WORLD COFFEE PRICES AND ETHIOPIA'S EXPORT SURCHARGE ON COFFEE, THE DOMESTIC PRICE FOR COFFEE IS VERY LOW; THEREFORE, LITTLE COFFEE IS COMING INTO THE ADDIS MARKET FROM THE INTERIOR. APPARENTLY FARMERS AND MIDDLEMEN PREFER

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TO HOLD THEIR COFFEE RATHER THAN SELL AT THE CURRENT LOW PRICES. THIS WITHHOLDING ACTION HAS GONE ON LONGER THAN SOME TRADERS

HAD ORIGINALLY FELT POSSIBLE. (B) THE NATIONAL BANK, ALLEGEDLY UNDER PRESSURE FROM THE PMAC, HAS ON OCCASION REFUSED TO ALLOW EXPORTERS TO SELL COFFEE AT WHAT IT CONSIDERED TO BE EXCESSIVELY LOW PRICES. THIS FIRST OCCURRED A FEW WEEKS AGO WHEN COFFEE EXPORTERS WANTED TO SELL AT 47 CENTS FOB DJIBOUTI. AFTER REFUSING FOR A WEEK TO TEN DAYS, THE NATIONAL BANK (AND THE PMAC) CHANGED ITS MIND BUT BY THAT TIME THE PRICE HAD FALLEN TO 45 CENTS AND SEVERAL EXPORT CONTRACTS WERE LOST. A SIMILAR OCCURRENCE TOOK PLACE LAST WEEK WHEN EXPORTERS WANTED TO SELL AT 43 CENTS WHICH THE BANK CONSIDERED TOO LOW.

3. ACCORDING TO INFORMED SOURCES, PROSPECTS FOR OVERCOMING THESE DIFFICULTIES, AT LEAST IN THE SHORT RUN, ARE NOT GOOD. FINANCE MINISTER IS REPORTEDLY ADAMANT THAT THE COFFEE TAX SURCHARGE SHOULD NOT BE ALTERED AS THE ETHIOPIAN GOVERNMENT NEEDS THIS SOURCE OF REVENUE. WITH RESPECT TO THE SECOND DIFFICULTY, THE PMAC AND EPMG ARE BASICALLY SUSPICIOUS OF EXPORTERS' CLAIMS ABOUT THE CONDITIONS PREVAILING IN THE WORLD COFFEE MARKET AND THEIR VIEW THAT THE PRICE OF ETHIOPIAN COFFEE WILL HAVE TO BE REDUCED IF IT IS TO COMPETE WITH OTHER PRODUCERS.

4. IF COFFEE EXPORTS DO NOT PICK UP SOON, COFFEE TRADERS FEAR THAT ETHIOPIA MAY NOT PHYSICALLY BE ABLE TO EXPORT ITS RATHER SIZABLE PRODUCTION(75-80,000 METRIC TONS OF EXPORTABLE SURPLUS) WITHIN THIS COFFEE YEAR. THIS, OF COURSE, WOULD MEAN SUBSTANTIAL CARRY-OVER INTO THE NEXT COFFEE YEAR AND COULD RESULT IN SOME DETERIORATION IN ITS QUALITY.

5. COMMENT: THE EMBASSY UNDERSTANDS THAT SOME AMERICAN ROASTERS ARE BEGINNING TO CHANGE THEIR BLENDS TO ELIMINATE THE USE OF ETHIOPIAN COFFEE. SHOULD THIS PROVE TO BE THE CASE THE LONGER TERM IMPLICATIONS FOR ETHIOPIAN COFFEE SALES TO THE U.S. COULD BE SERIOUS.  
HUMMEL

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## Message Attributes

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